

TO: Assistant Director for Policy Coordination
ATT: Mr. [REDACTED]
SUBJECT: Operational Security Aspects of Financial Support

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REFERENCES: 1. Paragraph 1.9 CFR
2. Memo 5 March 1951 from ADDA to AD/PC
AD/SC et.al. Appointing Task Force (copy attached)
3. I & S Audit Report 5 February 1951 (extracts
furnished through Mr. [REDACTED])

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1. The recent audit report referred to above covering an audit of confidential funds transactions of the agency called attention to various problems pertaining to certain security aspects of financial operational support. The report recommends changes in accounting procedures and practices in (1) Maintenance of covert project expense accounts, (2) Maintenance of files, accounts and supporting data pertaining to covert agents, and (3) Handling of "True Name" documents and documentation of agent's accounts. Some pertinent extracts from the audit report have already been furnished and will therefore not be repeated here.

2. The Task Force established by the memorandum referred to above (Ref. 2) has been directed to address itself to these problems among others. We wish to recommend such changes in procedure as may be required to eliminate unnecessary work and provide a sound basis of accountability for agency funds. However, it appears that an essential pre-requisite to the formulation and development of sound and secure detailed accounting procedures and practices for the handling of covert accounts is the establishment of general operational security standards applicable to such accounts. Paragraph 1.9 of the Confidential Funds Regulations provides that Assistant Directors may establish the security standards under which the files of Staff Agents, Deep Cover Appointees and other clandestine support files are maintained. It would, therefore, be appreciated if you could furnish guidance by providing the Task Force with general operational security standards and criteria which you think should be observed in connection with the handling, transmittal, filing, and recording of accounts and payment documents pertaining to covert operations generally and to the three listed in paragraph 1 above in particular.

3. In establishing operational security standards for the handling of these accounts and documents, please give consideration to the fact that the volume has grown to the point that present methods are inadequate and that we can expect further increase. Heretofore each case has been handled on what amounted to a "hand-tailored" basis. Will you, therefore, please examine carefully into the matter of what reports and similar service are essential in the financial support of the operations? What records must necessarily be maintained? What types of accounts and reports are required for your purposes? Further, what should be established as the office of record for the various receipts and other supporting documents in the various types of cases? What should be the methods of transmission? What documents could or should be used in lieu of particularly sensitive or compromising documents? It is recognized that complete consistency in detailed procedures may be impossible, but it appears essential that basic standards and principals, consistent with operational security concepts, be developed for the guidance of the various groups rendering administrative support for covert operations.

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